

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds	0	.0	0	0
2. Stocks:				
2.1 Preferred stocks			0	0
2.2 Common stocks			0	0
3. Mortgage loans on real estate:				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ encumbrances)	0	.0	0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$ 3,490,055), cash equivalents (\$ 0) and short-term investments (\$ 8,409,366)	11,899,421		11,899,421	15,266,107
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets	0	.0	0	0
8. Receivables for securities	360,000	.0	360,000	0
9. Aggregate write-ins for invested assets	0	.0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	12,259,421	.0	12,259,421	15,266,107
11. Title plants less \$ charged off (for Title insurers only)			0	0
12. Investment income due and accrued .....	.81,158	.0	.81,158	.48,522
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....	.78,775	.0	.78,775	.259,282
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	0		0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit	0		0	0
18. Electronic data processing equipment and software	0		0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	660,009	.0	660,009	.474,131
22. Health care (\$ 1,239,611) and other amounts receivable	1,239,611	.0	1,239,611	.676,422
23. Aggregate write-ins for other than invested assets	0	.0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	14,318,974	0	14,318,974	16,724,464
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	14,318,974	0	14,318,974	16,724,464
DETAILS OF WRITE-INS				
0901. Prepaid Expenses	0	.0	0	0
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	.0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0	0
2301.				
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	.0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	0	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	8,722,851	.0	8,722,851	8,136,176
2. Accrued medical incentive pool and bonus amounts	524,414	.0	524,414	654,289
3. Unpaid claims adjustment expenses	150,037	.0	150,037	166,044
4. Aggregate health policy reserves	0	.0	0	2,002,594
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserve			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	299,467		299,467	14,664
9. General expenses due or accrued	561,635		561,635	459,314
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	662,842		662,842	631,314
16. Payable for securities	0		0	0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			0	0
18. Reinsurance in unauthorized companies			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured plans			0	0
21. Aggregate write-ins for other liabilities (including \$ current)	0	.0	0	0
22. Total liabilities (Lines 1 to 21)	10,921,246	.0	10,921,246	12,064,395
23. Aggregate write-ins for special surplus funds	XXX	XXX	0	0
24. Common capital stock	XXX	XXX	10,000	10,000
25. Preferred capital stock	XXX	XXX	0	0
26. Gross paid in and contributed surplus	XXX	XXX	9,200,000	8,000,000
27. Surplus notes	XXX	XXX	0	0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	1,000,000	1,000,000
29. Unassigned funds (surplus)	XXX	XXX	(6,812,272)	(4,349,931)
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24)	XXX	XXX	0	0
\$)				
30.2 shares preferred (value included in Line 25)	XXX	XXX	0	0
\$)				
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	3,397,728	4,660,069
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	14,318,974	16,724,464
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	.0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above)	XXX	XXX	0	0
2801. Appropriated Retained Earnings	XXX	XXX	1,000,000	1,000,000
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above)	XXX	XXX	1,000,000	1,000,000

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

STATEMENT OF REVENUE AND EXPENSES

	Current Year To Date		Prior Year To Date
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX.....	.430,797	380,590
2. Net premium income (including \$0 non-health premium income).....	XXX.....	.65,271,588	58,571,220
3. Change in unearned premium reserves and reserve for rate credits	XXX.....		(20,365)
4. Fee-for-service (net of \$medical expenses).....	XXX.....		0
5. Risk revenue	XXX.....		0
6. Aggregate write-ins for other health care related revenues	XXX.....	.(3,893,444)	(3,576,225)
7. Aggregate write-ins for other non-health revenues	XXX.....	.0	0
8. Total revenues (Lines 2 to 7).....	XXX.....	.61,378,144	54,974,630
 Hospital and Medical:			
9. Hospital/medical benefits .....		.39,492,744	34,301,661
10. Other professional services .....		.42,010	.47,010
11. Outside referrals .....		.2,402,953	.2,277,619
12. Emergency room and out-of-area .....		.5,031,729	.4,025,647
13. Prescription drugs .....		.12,704,100	10,554,814
14. Aggregate write-ins for other hospital and medical.....	.0	.0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		.500,474	304,628
16. Subtotal (Lines 9 to 15).....	.0	.60,174,010	51,511,379
 Less:			
17. Net reinsurance recoveries .....		.0	0
18. Total hospital and medical (Lines 16 minus 17).....	.0	.60,174,010	51,511,379
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$ 95,762 cost containment expenses.....		.957,616	746,377
21. General administrative expenses.....		.5,426,490	.4,229,472
22. Increase in reserves for life and accident and health contracts including \$0 increase in reserves for life only).....		.(2,002,594)	0
23. Total underwriting deductions (Lines 18 through 22).....	.0	.64,555,522	56,487,228
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX.....	.(3,177,378)	(1,512,598)
25. Net investment income earned .....		.525,190	288,853
26. Net realized capital gains (losses) less capital gains tax of \$.....			0
27. Net investment gains (losses) (Lines 25 plus 26).....	.0	.525,190	288,853
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)].....			0
29. Aggregate write-ins for other income or expenses .....	.0	.0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX.....	.(2,652,188)	(1,223,745)
31. Federal and foreign income taxes incurred	XXX.....		0
32. Net income (loss) (Lines 30 minus 31).....	XXX.....	(2,652,188)	(1,223,745)
 DETAILS OF WRITE-INS			
0601. QAAP Assessment.....	XXX.....	.(3,893,444)	(3,576,225)
0602.	XXX.....		
0603.	XXX.....		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX.....	.0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX.....	(3,893,444)	(3,576,225)
0701.	XXX.....		
0702.	XXX.....		
0703.	XXX.....		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX.....	.0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX.....	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page .....	.0	.0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901. ....	.0	.0	0
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page .....	.0	.0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year
CAPITAL AND SURPLUS ACCOUNT:			
33. Capital and surplus prior reporting year.....	4,660,069	7,379,885	7,379,885
34. Net income or (loss) from Line 32	(2,652,188)	(1,223,745)	(2,879,136)
35. Change in valuation basis of aggregate policy and claim reserves .....	.0	.0	.0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	.0	.0	.0
37. Change in net unrealized foreign exchange capital gain or (loss) .....	.0	.0	.0
38. Change in net deferred income tax .....	.0	.0	.0
39. Change in nonadmitted assets	189,847	(9,661)	159,320
40. Change in unauthorized reinsurance .....	.0	.0	.0
41. Change in treasury stock .....	.0	.0	.0
42. Change in surplus notes .....	.0	.0	.0
43. Cumulative effect of changes in accounting principles .....	.0	.0	.0
44. Capital Changes:			
44.1 Paid in	1,200,000	.0	.0
44.2 Transferred from surplus (Stock Dividend) .....	.0	.0	.0
44.3 Transferred to surplus .....	.0	.0	.0
45. Surplus adjustments:			
45.1 Paid in .....	.0	.0	.0
45.2 Transferred to capital (Stock Dividend) .....	.0	.0	.0
45.3 Transferred from capital .....	.0	.0	.0
46. Dividends to stockholders .....	.0	.0	.0
47. Aggregate write-ins for gains or (losses) in surplus .....	.0	.0	.0
48. Net change in capital & surplus (Lines 34 to 47)	(1,262,341)	(1,233,406)	(2,719,816)
49. Capital and surplus end of reporting period (Line 33 plus 48)	3,397,728	6,146,479	4,660,069
DETAILS OF WRITE-INS			
4701.			
4702.			
4703.			
4798. Summary of remaining write-ins for Line 47 from overflow page .....	.0	.0	.0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above)	0	0	0

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	63,734,304	81,875,163
2. Net investment income	492,554	394,685
3. Miscellaneous income	(3,231,549)	(4,110,190)
4. Total (Lines 1 to 3)	60,995,309	78,159,658
5. Benefits and loss related payments	58,749,853	69,402,604
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions	6,297,792	6,457,668
8. Dividends paid to policyholders	0	0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	65,047,645	75,860,272
11. Net cash from operations (Line 4 minus Line 10)	(4,052,336)	2,299,386
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	0	1,025,000
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	92,814	45,327
12.7 Miscellaneous proceeds	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7)	92,814	1,070,327
13. Cost of investments acquired (long-term only):		
13.1 Bonds	0	0
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	452,814	39,644
13.7 Total investments acquired (Lines 13.1 to 13.6)	452,814	39,644
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(360,000)	1,030,683
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	1,200,000	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	(154,350)	(453,077)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	1,045,650	(453,077)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Lines 15 and 17)	(3,366,686)	2,876,992
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	15,266,107	12,389,115
19.2 End of period (Line 18 plus Line 19.1)	11,899,421	15,266,107

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	46,828	1,148	0	0	0	0	0	0	45,680	0	0	0	0
2 First Quarter	47,410	1,135	0	0	0	0	0	0	46,275	0	0	0	0
3 Second Quarter	47,320	1,136	0	0	0	0	0	0	46,184	0	0	0	0
4. Third Quarter	48,645	1,143							47,502				
5. Current Year	0												
6 Current Year Member Months	430,797	10,122							420,675				
Total Member Ambulatory Encounters for Period:													
7. Physician	266,227	3,596							262,631				
8. Non-Physician	7,218	97							7,121				
9. Total	273,445	3,693	0	0	0	0	0	0	269,752	0	0	0	0
10. Hospital Patient Days Incurred	11,662	13							11,649				
11. Number of Inpatient Admissions	3,200	7							3,193				
12. Health Premiums Written	61,494,425	792,379							60,702,046				
13. Life Premiums Direct.....	0												
14. Property/Casualty Premiums Written	0												
15. Health Premiums Earned	61,378,144	743,705							60,634,439				
16. Property/Casualty Premiums Earned	0												
17. Amount Paid for Provision of Health Care Services .....	.59,625,842	.584,282							.59,041,560				
18. Amount Incurred for Provision of Health Care Services	60,174,010	587,841							59,586,169				

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Unpaid (Reported)						
0199999 Individually Listed Claims Unpaid	0	0	0	0	0	0
0299999 Aggregate Accounts Not Individually Listed-Uncovered						0
0399999 Aggregate Accounts Not Individually Listed-Covered	2,439,560					2,439,560
0499999 Subtotals	2,439,560	0	0	0	0	2,439,560
0599999 Unreported Claims and Other Claim Reserves	XXX	XXX	XXX	XXX	XXX	6,228,920
0699999 Total Amounts Withheld	XXX	XXX	XXX	XXX	XXX	54,371
0799999 Total Claims Unpaid	XXX	XXX	XXX	XXX	XXX	8,722,851
0899999 Accrued Medical Incentive Pool and Bonus Amounts	XXX	XXX	XXX	XXX	XXX	524,414

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5	6 Estimated Claim Reserve and Claim Liability Dec. 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid Dec. 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital & medical)	55,318	528,964	1,017	51,931	56,335	49,388
2. Medicare Supplement					0	0
3. Dental Only					0	0
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid	8,042,305	53,516,672	166,467	8,503,436	8,208,772	8,086,788
8. Other Health					0	0
9. Health Subtotal (Lines 1 to 8).....	8,097,623	54,045,636	167,484	8,555,367	8,265,107	8,136,176
10. Healthcare receivables (a)	247,871	2,899,894		156,503	247,871	247,871
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts	630,348			524,414	630,348	654,289
13. Totals	8,480,100	51,145,742	167,484	8,923,278	8,647,584	8,542,594

(a) Excludes \$ loans and advances to providers not yet expensed.

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

NOTES TO FINANCIAL STATEMENTS

HEALTH		
Note #	Description	Page #
1	Organization and Summary of Significant Accounting Policies	10.1
2	Accounting Changes and Correction of Errors	10.1
3	Business Combinations and Goodwill	10.1
4	Discontinued Operations	10.1
5	Investments	10.1
6	Joint Ventures, Partnerships and Limited Liability Companies	10.1
7	Investment Income	10.1
8	Derivative Instruments	10.1
9	Income Taxes	10.1
10	Information Concerning Parent, Subsidiaries, and Affiliates	10.1
11	Debt	10.1
12	Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans	
13	Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations	10.1
14	Contingencies	10.1
15	Leases	10.2
16	Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk	10.2
17	Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities	10.2
18	Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans	10.2
19	Direct Premium Written/Produced by Managing General Agents/Third Party Administrators	10.2
20	September 11 Events	10.2
21	Other Items	10.2
22	Events Subsequent	10.2
23	Reinsurance	10.2
24	Retrospectively Rated Contracts & Contracts Subject to Redetermination	10.2
25	Change in Incurred Claims and Claim Adjustment Expenses	10.2
26	Intercompany Pooling Arrangements	10.2
27	Structured Settlements	10.2
28	Health Care Receivables	10.2
29	Participating Policies	10.3
30	Premium Deficiency Reserves	10.3
31	Anticipated Salvage and Subrogation	10.3

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

No material changes from year end disclosures.

2. Accounting Changes and Correction of Errors

No material changes from year end disclosures.

3. Business Combinations and Goodwill

No material changes from year end disclosures.

4. Discontinued Operations

No material changes from year end disclosures.

5. Investments

No material changes from year end disclosures.

6. Joint Ventures, Partnerships and Limited Liability Companies

No material changes from year end disclosures.

7. Investment Income

No material changes from year end disclosures.

8. Derivative Instruments

No material changes from year end disclosures.

9. Income Taxes

No material changes from year end disclosures.

10. Information Concerning Parent, Subsidiaries, and Affiliates

Priority Health, the Plan's parent, contributed additional capital to the Plan in the amount of \$1,200,000. The transfer occurred on July 28, 2006.

11. Debt

No material changes from year end disclosures.

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No material changes from year end disclosures.

13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

No material changes from year end disclosures.

14. Contingencies

No material changes from year end disclosures.

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

NOTES TO FINANCIAL STATEMENTS

15. Leases

No material changes from year end disclosures.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No material changes from year end disclosures.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

No material changes from year end disclosures.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No material changes from year end disclosures.

20. September 11 Events

No material changes from year end disclosures.

21. Other Items

No material changes from year end disclosures.

22. Events Subsequent

Priority Health, the Plan's parent, contributed additional capital to the Plan in the amount of \$2,550,000. The transfer occurred on October 25, 2006.

23. Reinsurance

No material changes from year end disclosures.

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No material changes from year end disclosures.

25. Change in Incurred Claims and Claim Adjustment Expenses

No material changes from year end disclosures.

26. Intercompany Pooling Arrangements

No material changes from year end disclosures.

27. Structured Settlements

No material changes from year end disclosures.

28. Health Care Receivables

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

NOTES TO FINANCIAL STATEMENTS

No material changes from year end disclosures.

29. Participating Policies

No material changes from year end disclosures.

30. Premium Deficiency Reserves

No material changes from 2nd quarter disclosures.

31. Anticipated Salvage and Subrogation

No material changes from year end disclosures.

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted.)

PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [] No [X]

1.2 If yes, has the report been filed with the domiciliary state? Yes [] No []

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]

2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.

3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [] No [X]
If yes, complete the Schedule Y - Part 1 - organizational chart.

4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]

4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes [] No [X] NA []
If yes, attach an explanation.

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2003

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2003

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 09/06/2005

6.4 By what department or departments?
OFIS.....

7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [] No [X]

7.2 If yes, give full information:
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

1	2 Location (City, State)	3	4	5	6	7
Affiliate Name		FRB	OCC	OTS	FDIC	SEC

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

GENERAL INTERROGATORIES

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 33,000

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock? Yes [] No [X]
 10.2 If yes, explain:
.....

- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes [] No [X]

- 11.2 If yes, give full and complete information relating thereto:
.....

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

13. Amount of real estate and mortgages held in short-term investments: \$ 0

- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes [] No [X]
 14.2 If yes, please complete the following:

	1 Prior Year-End Book/Adjusted Carrying Value	2 Current Quarter Statement Value
14.21 Bonds	\$	\$
14.22 Preferred Stock	\$	\$
14.23 Common Stock	\$	\$
14.24 Short-Term Investments	\$	\$
14.25 Mortgage Loans on Real Estate	\$	\$
14.26 All Other	\$	\$
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)	\$ 0	\$ 0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above	\$	\$

- 15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes [] No [X]

- 15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No []

If no, attach a description with this statement.

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [] No [X]

- 16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Mellon Trust.....	Pittsburgh, PA.....

- 16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
Michigan Department of Treasury.....	Lansing, MI.....	Statutory Deposit - Held by the State of Michigan.....

- 16.3 Have there been any changes, including name changes in the custodian(s) identified in 16.1 during the current quarter? Yes [] No [X]

- 16.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

- 16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository	2 Name(s)	3 Address
n/a.....	Prime Investments.....	Bloomfield, CT.....

- 17.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

- 17.2 If no, list exceptions:
.....

SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value, December 31 of prior year	0	0
2. Increase (decrease) by adjustment	0	0
3. Cost of acquired	0	0
4. Cost of additions to and permanent improvements	0	0
5. Total profit (loss) on sales	0	0
6. Increase (decrease) by foreign exchange adjustment	0	0
7. Amount received on sales	0	0
8. Book/adjusted carrying value at end of current period	0	0
9. Total valuation allowance	0	0
10. Subtotal (Lines 8 plus 9)	0	0
11. Total nonadmitted amounts	0	0
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	0	0

SCHEDULE B – VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book value/recurred investment excluding accrued interest on mortgages owned at end of current period of prior year	0	0
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount and mortgage interest points and commitment fees	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book value/recurred investment excluding accrued interest on mortgages owned at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	0	0

SCHEDULE BA – VERIFICATION

Other Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value of long-term invested assets at end of December 31 of prior year	0	0
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions	0	0
2.2. Additional investment made after acquisitions	0	0
3. Accrual of discount	0	0
4. Increase (decrease) by adjustment	0	0
5. Total profit (loss) on sale	0	0
6. Amounts paid on account or in full during the period	0	0
7. Amortization of premium	0	0
8. Increase (decrease) by foreign exchange adjustment	0	0
9. Book/adjusted carrying value of long-term invested assets at end of current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	0	0

SCHEDULE D – VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
NONE		
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year	0	1,021,156
2. Cost of bonds and stocks acquired	0	0
3. Accrual of discount	0	3,844
4. Increase (decrease) by adjustment	0	0
5. Increase (decrease) by foreign exchange adjustment	0	0
6. Total profit (loss) on disposal	0	0
7. Consideration for bonds and stocks disposed of	0	1,025,000
8. Amortization of premium	0	0
9. Book/adjusted carrying value, current period	0	0
10. Total valuation allowance	0	0
11. Subtotal (Lines 9 plus 10)	0	0
12. Total nonadmitted amounts	0	0
13. Statement value	0	0

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	9,034,383	3,394,194	4,033,378	14,167	8,607,673	9,034,383	8,409,366	8,546,140
2. Class 2	0				0	0	0	0
3. Class 3	0				0	0	0	0
4. Class 4	0				0	0	0	0
5. Class 5	0				0	0	0	0
6. Class 6	0				0	0	0	0
7. Total Bonds	9,034,383	3,394,194	4,033,378	14,167	8,607,673	9,034,383	8,409,366	8,546,140
PREFERRED STOCK								
8. Class 1	0				0	0	0	0
9. Class 2	0				0	0	0	0
10. Class 3	0				0	0	0	0
11. Class 4	0				0	0	0	0
12. Class 5	0				0	0	0	0
13. Class 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	9,034,383	3,394,194	4,033,378	14,167	8,607,673	9,034,383	8,409,366	8,546,140

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

SCHEDULE DA - PART 1

Short-Term Investments Owned End of Current Quarter					
	1 Book/Adjusted Carrying Value	2 Par Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
82999999 Totals	8,409,366	XXX	8,374,077	207,980	39,319

SCHEDULE DA - PART 2- VERIFICATION

Short-Term Investments Owned		1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....		8,546,140	0
2. Cost of short-term investments acquired		13,191,110	19,867,135
3. Increase (decrease) by adjustment		92,814	45,327
4. Increase (decrease) by foreign exchange adjustment			0
5. Total profit (loss) on disposal of short-term investments			0
6. Consideration received on disposal of short-term investments		13,420,698	11,366,322
7. Book/adjusted carrying value, current period		8,409,366	8,546,140
8. Total valuation allowance			0
9. Subtotal (Lines 7 plus 8)		8,409,366	8,546,140
10. Total nonadmitted amounts			0
11. Statement value (Lines 9 minus 10)		8,409,366	8,546,140
12. Income collected during period		246,525	30,809
13. Income earned during period		288,737	89,794

Schedule DB - Part F - Section 1
NONE

Schedule DB - Part F - Section 2
NONE

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

SCHEDULE S—CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

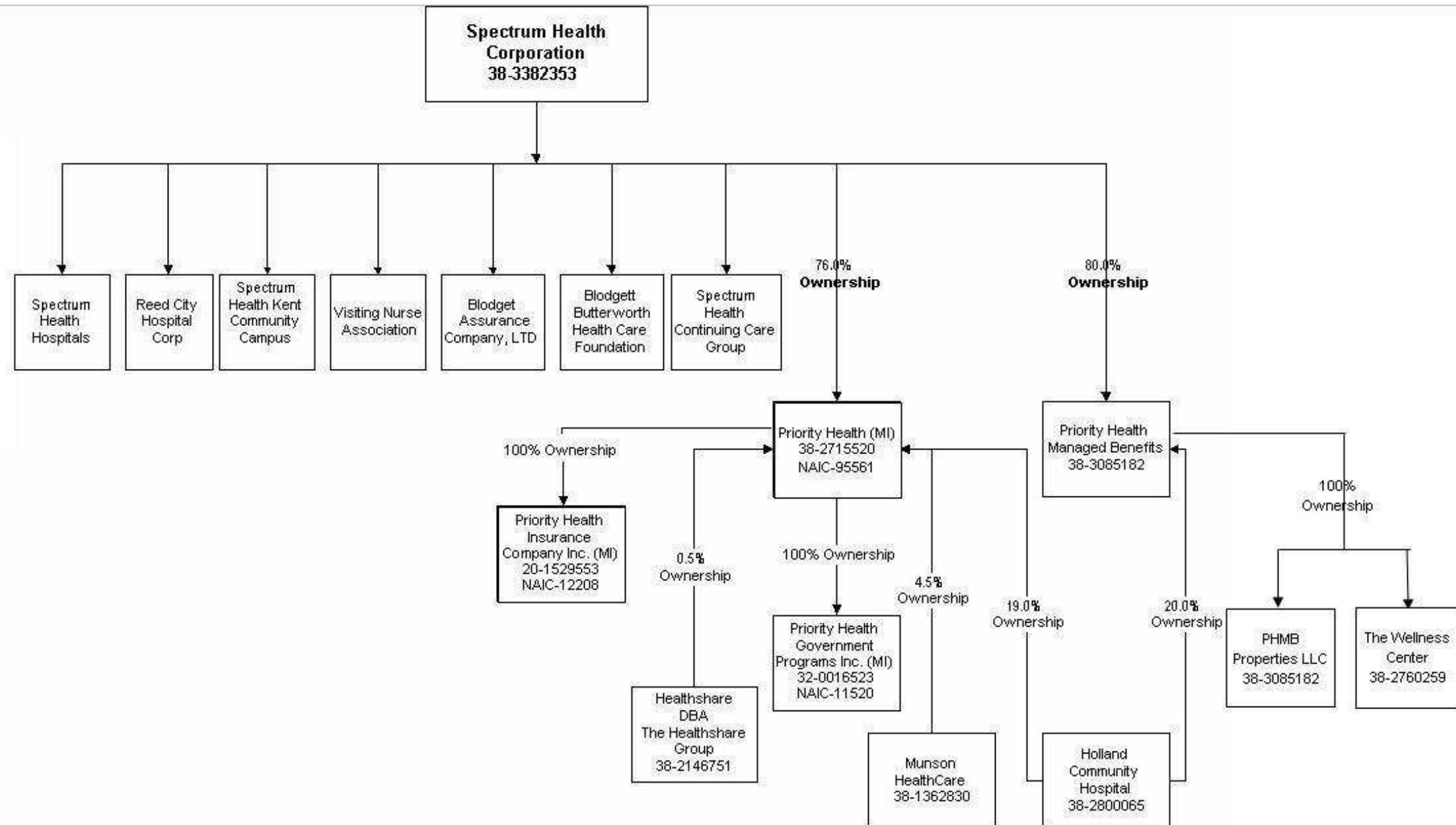
SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only Year-to-Date					
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefit Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama	AL	No	No					
2. Alaska	AK	No	No					
3. Arizona	AZ	No	No					
4. Arkansas	AR	No	No					
5. California	CA	No	No					
6. Colorado	CO	No	No					
7. Connecticut	CT	No	No					
8. Delaware	DE	No	No					
9. District of Columbia	DC	No	No					
10. Florida	FL	No	No					
11. Georgia	GA	No	No					
12. Hawaii	HI	No	No					
13. Idaho	ID	No	No					
14. Illinois	IL	No	No					
15. Indiana	IN	No	No					
16. Iowa	IA	No	No					
17. Kansas	KS	No	No					
18. Kentucky	KY	No	No					
19. Louisiana	LA	No	No					
20. Maine	ME	No	No					
21. Maryland	MD	No	No					
22. Massachusetts	MA	No	No					
23. Michigan	MI	No	Yes	792,379		60,702,046		
24. Minnesota	MN	No	No					
25. Mississippi	MS	No	No					
26. Missouri	MO	No	No					
27. Montana	MT	No	No					
28. Nebraska	NE	No	No					
29. Nevada	NV	No	No					
30. New Hampshire	NH	No	No					
31. New Jersey	NJ	No	No					
32. New Mexico	NM	No	No					
33. New York	NY	No	No					
34. North Carolina	NC	No	No					
35. North Dakota	ND	No	No					
36. Ohio	OH	No	No					
37. Oklahoma	OK	No	No					
38. Oregon	OR	No	No					
39. Pennsylvania	PA	No	No					
40. Rhode Island	RI	No	No					
41. South Carolina	SC	No	No					
42. South Dakota	SD	No	No					
43. Tennessee	TN	No	No					
44. Texas	TX	No	No					
45. Utah	UT	No	No					
46. Vermont	VT	No	No					
47. Virginia	VA	No	No					
48. Washington	WA	No	No					
49. West Virginia	WV	No	No					
50. Wisconsin	WI	No	No					
51. Wyoming	WY	No	No					
52. American Samoa	AS	No	No					
53. Guam	GU	No	No					
54. Puerto Rico	PR	No	No					
55. U.S. Virgin Islands	VI	No	No					
56. Northern Mariana Islands	MP							
57. Canada	CN	No	No					
58. Aggregate Other Alien	OT	XXX	XXX .....	.0	.0	.0	.0	.0
59. Subtotal		XXX	XXX	792,379	.0	60,702,046	.0	.0
60. Reporting entity contributions for Employee Benefit Plans		XXX	XXX					
61. Total (Direct Business)	XXX	(a)	1	792,379	0	60,702,046	0	0
DETAILS OF WRITE-INS								
5801.								
5802.								
5803.								
5898. Summary of remaining write-ins for Line 58 from overflow page .....				.0	.0	.0	.0	.0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)				0	0	0	0	0

(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

Schedule A - Part 2
NONE

Schedule A - Part 3
NONE

Schedule B - Part 1
NONE

Schedule B - Part 2
NONE

Schedule BA - Part 1
NONE

Schedule BA - Part 2
NONE

Schedule D - Part 3
NONE

Schedule D - Part 4
NONE

Schedule DB - Part A - Section 1
NONE

Schedule DB - Part B - Section 1
NONE

Schedule DB - Part C - Section 1
NONE

Schedule DB - Part D - Section 1

NONE

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

SCHEDULE E - PART 1 - CASH

STATEMENT AS OF SEPTEMBER 30, 2006 OF THE Priority Health Government Programs

SCHEDULE E - PART 2 CASH EQUIVALENTS

Showing Investments Owned End of Current Quarter

NONE

60E